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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

July 29, 2019

The Honorable Kathleen Kraninger  
Director  
Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, DC 20552

Dear Director Kraninger:

We are deeply concerned that you continue to neglect your duty to ensure that the Consumer Financial Protection Bureau (CFPB) faithfully executes its mission. You and your predecessor repeatedly chose to protect Eric Blankenstein, a political appointee, rather than allowing CFPB career staff to provide “oversight and enforcement of Federal laws intended to ensure the fair, equitable, and non-discriminatory access to credit for both individuals and communities . . . .”<sup>1</sup> Mr. Blankenstein’s troubling tenure at the CFPB demonstrates the damage that turning over important functions at independent regulators to political appointees can cause to consumers and CFPB employees and we strongly urge you to dismiss CFPB’s political appointees and return the agency to the design intended by Congress.

We have reviewed an alarming report from the CFPB’s Inspector General (IG) regarding Mr. Blankenstein’s conduct at the CFPB. The report found a troubling set of facts and reached a disturbing set of conclusions about Mr. Blankenstein’s actions as a Policy Associate Director.<sup>2</sup> It found that he asked a subordinate at the CFPB, while she was on leave, to provide a public statement of support amid the controversy of his racist statements. According to the report, the subordinate felt coerced to comply with the request in order to save the CFPB’s Office of Fair Lending and Equal Opportunity, which at the time was the subject of a reorganization led by Mr. Blankenstein and other political appointees.<sup>3</sup> The report concludes that Mr. Blankenstein “may have abused his authority,” “may have misused his position for private gain,” and “created the appearance of a violation of the Standards of Ethical Conduct for Employees of the Executive Branch.”<sup>4</sup>

The report also reveals that Mick Mulvaney, who hired Mr. Blankenstein at the CFPB, saw the publishing of Mr. Blankenstein’s racist writings in the Washington Post as cause for celebration

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<sup>1</sup> P.L. 111-203, Section 1013.

<sup>2</sup> Report of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, May 7, 2019. On file with the Minority Staff of the United States Committee on Banking, Housing, and Urban Affairs.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

rather than admonishment. According to the IG report, “Blankenstein described his encounter... as Mulvaney giving ‘him a high-five that morning in, sort of, celebration of the article that had come out the night before.’” Mick Mulvaney has now been promoted to Acting White House Chief of Staff with influence over the entire Executive Branch.

The IG issued its report on May 7, 2019. Despite having access to the disturbing findings and conclusions of the IG’s report, you allowed Mr. Blankenstein to resign from the CFPB rather than terminating his employment. His resignation announcement came eight days after the IG report was issued. Even after learning that Mr. Blankenstein had breached ethics guidelines, you allowed him to continue to work at the CFPB for another two weeks, until May 31. Even more troubling is the fact that for months after his racist writings were published in the media, you allowed him to continue to lead the dismantling of the Office of Fair Lending and Equal Opportunity. Mr. Blankenstein was recently hired by the Department of Housing and Urban Development—another agency that performs a crucial role addressing racial inequities in the housing and finance markets—a job he may not have obtained had you dealt with the situation appropriately and fired him.

Failing to terminate Mr. Blankenstein has consequences beyond infecting other agencies with his racist views. You have sent a clear message to the CFPB’s staff and the American people that you value protecting political allies over fulfilling the CFPB’s mission to eliminate discrimination in consumer finance, and that you will shield your political allies from consequences even when they abuse their authority over career public servants.

You did not create the Policy Associate Director (PAD) positions, nor did you oversee Mr. Blankenstein’s appointment to the CFPB. But Mr. Blankenstein’s case lays bare the damaging effects of introducing large numbers of political appointees into an independent regulator. Mr. Mulvaney transformed the CFPB from a technocratic agency with a single political appointee, the Director, to an institution run by more than a dozen ideologically-driven political appointees. The CFPB is now an outlier among financial regulators in both the number of political appointees and the roles they play.<sup>5</sup> Political appointees do not have the same hiring requirements as career staff and are often chosen for their political views, rather than their expertise.<sup>6</sup> That appears to have been the case with Mr. Blankenstein, who was put in charge of the CFPB’s supervision, enforcement and fair lending offices and a workforce of hundreds of career staff, despite minimal experience with bank supervision, management, or knowledge of the relevant consumer and anti-discrimination laws.<sup>7</sup> According to the IG’s report and media reports, CFPB career staff felt Mr. Blankenstein’s political views bleed over into their work.<sup>8</sup>

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<sup>5</sup> See Letter from Senator Elizabeth Warren to OMB Director Mick Mulvaney, December 18, 2017, <https://www.warren.senate.gov/imo/media/doc/2017.12.18%20Letter%20to%20Mulvaney%20re%20hiring%20political%20appointees%20at%20CFPB.PDF>.

<sup>6</sup> Office of Personnel Management, “Hiring Information: Excepted Service,” <https://www.opm.gov/policy-data-oversight/hiring-information/excepted-service/>.

<sup>7</sup> Before joining the CFPB, Mr. Blankenstein was an Assistant General Counsel of the Office of the United States Trade Representative and an associate at a large law firm, LinkedIn “Eric Blankenstein,” <https://www.linkedin.com/in/eric-blankenstein-a16531120/>

<sup>8</sup> Report of the Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, May 7, 2019. On file with the Minority Staff of the United States Committee on

Despite this track record, you have continued to employ political appointees during the more than seven months since you were sworn in as CFPB Director.

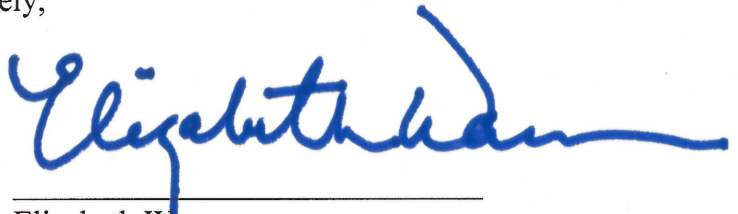
You and your predecessor's mismanagement of this situation has undermined the CFPB's ability to fulfill its mission of ensuring that markets for consumer financial products and services are fair, transparent, and free from discrimination. Your inaction regarding Mr. Blankenstein confirms that we were right to question your commitment to ensuring that consumers of financial products and services receive equal treatment under the law. You have also failed the dedicated public servants at the CFPB who work to carry out that mission, who told you they were deeply offended by Mr. Blankenstein's racist statements, yet were forced to continue to work in a hostile environment due to your inaction.

It is now your responsibility to repair this situation. If you are serious about regaining the trust of the American public and CFPB career staff, you must eliminate the political appointees who have escaped appropriate screening, injected politics into regulatory and enforcement decisions, and impeded the CFPB's mission as a consumer-first agency.

Sincerely,



Sherrod Brown  
United States Senator



Elizabeth Warren  
United States Senator

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Banking, Housing and Urban Affairs. See also [https://www.washingtonpost.com/investigations/trump-anti-discrimination-official-faces-rebellion-at-agency-over-racially-tinged-blog-posts/2018/09/28/ed5b8e6a-c351-11e8-97a5-ab1e46bb3bc7\\_story.html?utm\\_term=.7db1255b84d2](https://www.washingtonpost.com/investigations/trump-anti-discrimination-official-faces-rebellion-at-agency-over-racially-tinged-blog-posts/2018/09/28/ed5b8e6a-c351-11e8-97a5-ab1e46bb3bc7_story.html?utm_term=.7db1255b84d2) (career staff reporting how the Blankenstein's racist blog posts were reflected in his discussions of supervisory and enforcement matters).